



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 19, 2012

TO: Mitchell H. Katz, M.D., Director
Department of Health Services

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **DEPARTMENT OF HEALTH SERVICES GRANTS REVIEW**

We have reviewed the Department of Health Services' (DHS) grants awarded to Health Services Administration (HSA), LAC+USC Medical Center (LAC+USC), and Harbor-UCLA Medical Center (Harbor). Our review was intended to evaluate DHS' compliance with appropriate policies and procedures, including the County Fiscal Manual (CFM), County Grants Manual, and individual grant requirements. Our review included evaluating whether DHS was maximizing grant revenue, and whether grant funds were properly accounted for, reconciled, and transferred to revenue timely.

Our review indicates that DHS generally maintains controls over its grants, including using grant funds for intended purposes. However, we noted that DHS should consider centralizing its grant function, and ensure that earned grant funds are transferred to revenue timely. In addition, DHS needs to maintain subsidiary ledgers and supporting documentation for each grant, and ensure that grant reconciliations are completed appropriately.

Although our review was limited to grants at HSA, LAC+USC, and Harbor, we recommend that DHS review the findings, ensure that necessary controls are in place for all grants, and implement any applicable recommendations at all facilities. The following are the detailed results of our review and recommendations for improvement.

Summary of Findings

During Fiscal Years 2009-10 and 2010-11, the three DHS facilities reviewed had 36 grants, totaling approximately \$71.5 million. We did not review grants that had been reviewed by the grantor, or federal government grants that had been reviewed as part of

the County's Single Audit. Our review covered 24 grants, totaling approximately \$5.3 million.

Identifying and Maximizing Grant Funds

Grants are an important source of funding that can be used to enhance public services, without increasing the County's net cost. The County Grants Manual indicates that departments should pursue grants.

We noted that each DHS facility is responsible for identifying and applying for its own grants. The facilities generally do not communicate grant information with each other. As a result, one facility may have received a grant that would be applicable to other DHS facilities. We also noted that the facilities do not have dedicated staff trained to write grant applications.

To maximize grant revenue, DHS should consider centralizing the grant research and application processing for the Department, and having staff dedicated to obtaining grant funds on an ongoing basis. DHS should also ensure that information on available grants is shared throughout the Department, and that all potential grants are explored.

The County subscribes to the eCivis Research and Knowledge Database (eCivis), a grant information database. We noted that 61 (79%) of DHS' 77 authorized users have never signed into their eCivis account, or have not used their account in over a year. DHS should utilize eCivis to identify and apply for grants to maximize grant funds, and document the grants received using the database. In addition, DHS should evaluate each authorized user's need for access to eCivis.

Recommendations

DHS management:

- 1. Consider centralizing grant research and application processing duties in DHS, and having staff dedicated to obtaining grant funds on an ongoing basis.**
- 2. Ensure that information on available grants is shared among all facilities, and that all potential grants are explored.**
- 3. Use eCivis to locate grant funds available to the County, and document the grants received using the database.**
- 4. Evaluate each authorized user's need for access to eCivis.**

Centralized Monitoring

We noted that DHS does not centrally track and monitor grants to ensure grant funds are appropriately spent.

In addition, DHS does not use the eCAPS Grant Lifecycle Management System (GLMS) to track grants. GLMS also provides reporting/auditing capabilities for grant funds. DHS staff received GLMS training before the System came online in August 2009. However, none of the grants we reviewed were being tracked in GLMS. DHS should centralize the grant monitoring process, and ensure staff use GLMS.

Recommendation

- 5. DHS management centralize the grant monitoring process, and ensure staff use GLMS.**

Recordkeeping

CFM Section 9.2.3 and most grants require recipients to retain grant records and supporting documentation, by program and grant period, for the period required by the grantor or until audited. We noted the following recordkeeping deficiencies:

- **Grant Revenue and Expenditure Ledgers** – The three facilities reviewed did not maintain complete grant revenue and expenditure ledgers, or did not maintain ledgers at all for some of their grants. Although grant revenue/expenditure information is included in eCAPS, CFM requires ledgers to be maintained for each grant. Grant funds are generally deposited into miscellaneous trust/general revenue accounts, and may be commingled with funds from other grants and sources. Maintaining subsidiary ledgers allows for appropriate tracking and monitoring of grant funds.
- **Grant Documentation** - For 11 (46%) of the 24 grants reviewed, we noted 29 instances where facilities did not have adequate documentation to support that grant revenue was earned, or that expenditures were appropriate. For example, LAC+USC indicated that \$8,000 in grant funds was used to purchase laptop computers, but could not provide any supporting documentation for the purchases. In addition, for ten (42%) of the 24 grants, we identified \$347,200 in expenditures for which the facilities did not maintain requisitions, packing slips, time logs, expense claims, or other required documentation. Some of these charges were for consultant fees, travel, training, and administrative/indirect costs.

DHS should ensure that facilities maintain ledgers and supporting documentation for all grant revenues and expenditures.

Recommendation

- 6. DHS management ensure facilities maintain ledgers and supporting documentation for all grant revenues and expenditures.**

Carryover Receipts (Expired Funds)

Board of Supervisors Policy 4.070, Full Utilization of Grant Funds, requires departments to review their grant expenditures before the end of the grant period to determine whether funds need to be reallocated to provide the services for which they were intended. Departments should also follow grantor guidelines regarding the disposition of unspent funds (e.g., using program funds in the subsequent year, using funds for a different program with grantor approval, or returning funds to the grantor). We reviewed the 24 grants and noted the following:

- LAC+USC and Harbor had expired grants with remaining balances of \$12,600 and \$7,300, respectively. LAC+USC indicated that they were developing a plan to spend the remaining funds. Harbor returned approximately \$500 to the grantor, and was reviewing the \$6,800 balance. Before expending these funds, the facilities should determine whether the funds may still be used.
- LAC+USC spent \$84,600 in grant funds after the grant term expired. We noted that these funds were not spent during the grant period because an employee in one of the grant-funded positions left County service and was not replaced. The remaining funds were spent on personnel costs for other positions funded by the grant, but LAC+USC did not obtain the required approval from the grantor. The grant agreement indicated that the grant term could be extended upon mutual agreement between the grantor and the County, up to when the award funds are actually expended. LAC+USC should seek retroactive approval from the grantor to use the grant funds in the manner they were used.

Recommendations

DHS management:

- 7. Ensure grant funds are used before the grant expires.**
- 8. Notify the grantor of expired grant balances to determine whether the funds can be used or need to be returned.**
- 9. Seek retroactive approval from grantors for instances where grant funds were expended after the grant term expired.**

Grant Revenue

Departments need to ensure that grant funds are properly accounted for, and that only earned grant monies are reported as revenue in eCAPS. Unearned grant funds should be deposited into a trust account, and be transferred to revenue timely when earned.

We reviewed 13 grants where grant funds were received in advance, and held in a trust account, and noted that revenue was not transferred timely. For example, for six (46%) of the 13 grants, the facilities transferred revenue, totaling \$484,100, an average of 217 days after it was earned. The facilities also waited an average of 193 days to transfer \$830,900 for six grants from HSA's trust account to revenue.

We also noted that, at the time of our review, HSA had not transferred \$52,100 from one grant when the revenues were earned up to one year before.

DHS needs to ensure that earned revenue held in trust is transferred to revenue timely.

Recommendation

- 10. DHS management ensure earned revenue held in trust is transferred to revenue timely.**

Grant Reconciliations

CFM Section 9.2.2 requires departments to reconcile total grant receipts by program and fiscal year to eCAPS accounting records and departmental subsidiary ledgers. We reviewed reconciliations for the 24 grants, and noted 11 (46%) that were not reconciled to eCAPS and departmental subsidiary ledgers. We also noted that reconciliations to earned revenue, amounts claimed for which reimbursement has not been received, and amounts determined to be unearned revenue, were not completed for 14 (58%) grants.

DHS needs to ensure that facilities reconcile grants monthly/quarterly, as required, and that reconciliations are appropriately prepared, reviewed, and approved.

Recommendation

- 11. DHS management ensure staff reconcile grants monthly/quarterly, as required, and that reconciliations are appropriately prepared, reviewed, and approved.**

Internal Control Certification Program

The Auditor-Controller developed the Internal Control Certification Program (ICCP) to assist County departments in evaluating and improving internal controls over fiscal operations. Departments must review and evaluate controls in key fiscal areas, and certify that proper controls are in place or that action is being taken to correct any deficiencies or weaknesses noted.

Many of the issues noted in DHS' grant operations should have been identified when HSA, LAC+USC, and Harbor completed their ICCPs. However, their certifications did not identify any grant control weaknesses. In addition, Harbor's ICCP was completed based on only one of their grants. DHS management should ensure that ICCP questionnaires are completed accurately based on all of their grants, that all internal control weaknesses are identified, and that an improvement plan is developed for each identified weakness.

Recommendation

- 12. DHS management ensure ICCP questionnaires are accurately completed based on all of their grants, all internal control weaknesses are identified, and an improvement plan is developed for each identified weakness.**

Review of Report

We discussed the results of our review with DHS and facility management. The Department's attached response indicates agreement with our findings and recommendations, and indicated they will work to improve controls over grants.

We thank DHS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MWM

Attachment

c: William T Fujioka, Chief Executive Officer
Pete Delgado, Chief Executive Officer, LAC+USC Medical Center
Delvecchio Finley, Chief Executive Officer, Harbor/UCLA Medical Center
Tobi Moree, Chief, DHS Audit and Compliance Division
Audit Committee



June 27, 2012

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TO: Wendy L. Watanabe
Auditor-Controller

FROM: Mitchell H. Katz, M.D.
Audit and Compliance Division

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER'S
GRANTS REVIEW AT DEPARTMENT OF HEALTH
SERVICES**

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

Christina R. Ghaly, M.D.
Deputy Director, Strategic Planning

Attached is the Department of Health Services' response to the recommendations made in the Auditor-Controller's report of its review of Grants at DHS Facilities, including Health Services Administration, LAC+USC Medical Center and Harbor-UCLA Medical Center. We concur with and have taken or initiated corrective actions to address the recommendations contained in the report.

If you have any questions or require additional information, please let me know or you may contact Tobi L. Moree at (213) 240-7901 or Elizabeth Guzman at (213) 240-7731.

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Attachment

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*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*



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**COUNTY OF LOS ANGELES – DEPARTMENT OF HEALTH SERVICES
RESPONSE TO AUDITOR-CONTROLLER
DEPARTMENT OF HEALTH SERVICES GRANTS REVIEW**

AUDITOR-CONTROLLER RECOMMENDATION #1

Department of Health Services (DHS) management consider centralizing grant research and application processing duties in DHS, and having staff dedicated to obtaining grant funds on an ongoing basis.

DHS response:

We agree. The grant research and application processing duties have been centralized for the Ambulatory Care Network (Outpatient Care). DHS will consider centralizing grant research and application processing duties for the rest of DHS and dedicating staff to obtain grant funds on an ongoing basis.

AUDITOR-CONTROLLER RECOMMENDATION #2

DHS management ensure that information on available grants is shared among all facilities, and that all potential grants are explored.

DHS response:

We agree. Currently the eCivis Research and Knowledge Database (eCivis), which has information on all available grants, is available to staff at all facilities. If DHS is able to centralize grant research and application processing duties, the centralized staff will explore all potential grants and will share information on available grants among all facilities.

AUDITOR-CONTROLLER RECOMMENDATION #3

DHS management use eCivis to locate grant funds available to the County, and document the grants received using the database.

DHS response:

We agree. If DHS is able to centralize grant research and application processing duties, the centralized staff will use eCivis to locate grant funds available to the County and to document grants received using the database.

AUDITOR-CONTROLLER RECOMMENDATION #4

DHS management evaluate each authorized user's need for access to eCivis Research and Knowledge Database (eCivis).

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DHS response:

We agree. DHS management will evaluate each authorized user's need for access to eCivis and ensure that all staff who require access to perform their duties are authorized to access eCivis.

AUDITOR-CONTROLLER RECOMMENDATION #5

DHS management centralize the grant monitoring process, and ensure staff use eCAPS Grant Lifecycle Management System (GLMS).

DHS response:

We agree. DHS management is evaluating the appropriate structure for centralized grant monitoring and will ensure that staff use GLMS.

AUDITOR-CONTROLLER RECOMMENDATION #6

DHS management ensure facilities maintain ledgers and supporting documentation for all grant revenues and expenditures.

DHS response:

We agree. Although one facility Health Services Administration (HSA) indicated they maintain ledgers and supporting documentation of all their grant revenues and expenditures, by October 2012, existing ledgers at all facilities (HSA, LAC+USC Medical Center [LAC+USC] and Harbor-UCLA Medical Center [H-UCLA MC]) will be revised in order to comply with County Fiscal Manual (CFM) requirements and all facilities will maintain ledgers and supporting documentation for all grant revenues and expenditures. H-UCLA MC indicated that they re-trained their staff on CFM 9.2.3 Departmental Grant Accounting Records.

AUDITOR-CONTROLLER RECOMMENDATION #7

DHS management ensure grant funds are used before the grant expires.

DHS response:

We agree. In order to ensure grant funds are used before the grant expires, by October 2012, LAC+USC and H-UCLA MC staff will initiate a quarterly review process and work with administrators to ensure a spending plan is in place and the grant funds are utilized before the grant expires. H-UCLA MC will conduct quarterly internal audits. H-UCLA MC grants identified as expired in this review have either been returned to the grantors, granted extensions, or staff are working with grant administrators to determine the appropriate disposition of the grant funds.

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AUDITOR-CONTROLLER RECOMMENDATION #8

DHS management notify the grantor of expired grant balances to determine whether the funds can be used or need to be returned.

DHS response:

We agree. Beginning July 2011, H-UCLA MC commenced notifying grant administrators of expired balances to determine if remaining funds can be used or need to be returned; by June 2012, this will be implemented at LAC+USC. H-UCLA MC grants identified as expired in this review have either been returned to the grantors, granted extensions, or staff are working with grant administrators to determine the appropriate disposition of the grant funds.

AUDITOR-CONTROLLER RECOMMENDATION #9

DHS management seek retroactive approval from grantors for instances where grant funds were expended after the grant term expired.

DHS response:

We agree. By June 2012, LAC+USC staff will work with grantors to seek retroactive approval from grantors for instances where grant funds were expended after the grant term expired.

AUDITOR-CONTROLLER RECOMMENDATION #10

DHS management ensure earned revenue held in trust is transferred to revenue timely.

DHS response:

We agree. By July 2012, all facilities (HSA, LAC+USC MC, and H-UCLA MC) will ensure earned revenue held in trust is transferred to revenue timely when revenues have been earned. LAC+USC MC will work with administrators throughout the year to monitor their spending plans and effective April 2012, H-UCLA MC is conducting quarterly audits to ensure that earned grant funds held in trust are transferred to revenue when earned.

AUDITOR-CONTROLLER RECOMMENDATION #11

DHS management ensure staff reconcile grants monthly/quarterly, as required, and that reconciliations are appropriately prepared, reviewed and approved.

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DHS response:

We agree. Effective July 1, 2011, two DHS facilities (HSA and H-UCLA MC) were reconciling grants monthly/quarterly, as required, and the reconciliations were appropriately prepared, reviewed and approved. By October 2012, the remaining DHS facility (LAC+USC) will reconcile grants monthly/quarterly, as required, and those reconciliations will be appropriately prepared, reviewed and approved.

AUDITOR-CONTROLLER RECOMMENDATION #12

DHS management ensure ICCP questionnaires are accurately completed based on all of their grants, all internal control weaknesses are identified, and an improvement plan is developed for each identified weakness.

DHS response:

We agree. Effective April 2011, H-UCLA MC accurately completed the ICCP questionnaire for all of their current grants, all identified and developed improvement plans to address identified internal control weaknesses. By April 2013, all facilities (HSA, LAC+USC MC, and H-UCLA MC) will ensure that the ICCP questionnaires are accurately completed for all of their current grants, all internal control weaknesses are identified, and improvement plans developed to address identified weaknesses.